

[Date]

[Your Name]  
[Your Address]  
[Cities], Hawaii [zip code]

Re: Application of tax incentives to [Your Company Name]

Dear [Your Name]:

This responds to your [letter, e-mail, or request for a high tech comfort ruling] of [date] seeking confirmation that [Your Company Name] (the Company) is eligible for certain tax incentives.

Hawaii offers the following tax incentives to qualifying businesses:

1. The high technology business investment tax credit under §235-110.9, Hawaii Revised Statutes (HRS);
2. The income tax exclusion for royalties and other income derived from patents and copyrights received by an individual or a qualified high technology business (QHTB) and developed and arising out of a QHTB under §235-7.3, HRS;
3. The income tax exclusion for stock options, dividends from stock, the receipt of the options, the exercise of the options, and income from the sale of the options under §235-9.5, HRS;
4. The tax credit for research activities under §235-110.91, HRS;
5. The sale of unused net operating loss carryovers under §235-111.5, HRS; and
6. Other miscellaneous tax provisions.

## **SHORT ANSWER**

Based on the information in your [letter, e-mail, or request for a high tech comfort ruling] (Request) and the questionnaire, “Does a Company Qualify for Hawaii Tax Incentives?” (Questionnaire), the Company will qualify for the tax benefits in [list paragraphs]. The Company may also qualify for the sale of net operating loss carryovers and other miscellaneous income tax and general excise tax provisions.

## **FACTS REPRESENTED BY THE COMPANY**

The Company represents [Provide material facts]

The Company has made additional representations, in Exhibit A, regarding jobs, Hawaii costs, tax incentives that may be claimed by the Company or its investors, long term business plans and investments.

## **LAW AND ANALYSIS**

The requirements for these tax incentives and their application to the Company are discussed below.

### **I. High technology business investment tax credit**

For investments made in taxable years beginning after December 31, 2000, but before taxable years beginning after December 31, 2005, a nonrefundable high technology business investment tax credit of up to \$2,000,000 per taxpayer is available. The credit is graduated over five years (35% to 10%) from the date of the “investment”<sup>1</sup> in a QHTB for investments made in tax years 2001 to 2005.<sup>2</sup> The credit is capped at varying amounts (\$700,000 in the year the investment is made to \$200,000 in the last year).

Some of the credit claimed will be recaptured from the investor if at the close of any taxable year in the five-year period: (1) the Company no longer qualifies as a QHTB, (2) the Company or an interest in the Company is sold by the taxpayer investing in the QHTB, or (3) the taxpayer withdraws the taxpayer’s investment wholly or partially from the QHTB.

The recapture will be equal to ten percent of the amount of the total tax credit claimed for the investment in the two taxable years prior to the year in which any of the aforementioned events occurs. The recaptured amount must be added to the investor’s tax liability for the taxable year in which the recapture occurs.

To be considered a QHTB for purposes of this tax credit, in each of the years for which

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<sup>1</sup> “Investment” is defined as “a nonrefundable investment, at risk, as that term is used in §465, IRC, (with respect to deductions limited to amount at risk), in a qualified high technology business, of cash that is transferred to the qualified high technology business, the transfer of which is in connection with a transaction in exchange for stock, interests in partnership, joint ventures, or other entities, licenses (exclusive or nonexclusive), rights to use technology, marketing rights, warrants, options, or any items similar to those included in this definition, including but not limited to options or rights to acquire any of the items included in this definition. The nonrefundable investment is entirely at risk of loss where repayment depends upon the success of the qualified high technology business. If the money invested is to be repaid to the taxpayer, no repayment except for dividends or interest shall be made for at least one year from the date the investment is made. The annual amount of any dividend and interest payment to the taxpayer shall not exceed twelve per cent of the amount of the investment.” See §235-1, HRS.

<sup>2</sup> Taxpayers may continue to claim the credit if the five-year period to claim the credit commences in taxable years beginning before January 1, 2006.

the credit will be claimed, the Company must employ or own capital or property, or maintain an office, in Hawaii and:

- (1) More than 50% of its total business activities must be qualified research and more than 75% of its qualified research must be conducted in Hawaii (sometimes referred to as the “Activity Test”); or
- (2) More than 75% of its gross income must be derived from qualified research and the income from this qualified research must be received from:
  - (a) Products sold from, manufactured, or produced in Hawaii; or
  - (b) Services performed in Hawaii (sometimes referred to as the “Gross Income Test”).<sup>3</sup>

When a company contracts with another company to perform qualified research, the research will qualify as research performed by the company for purposes of the QHTB activity test only if the contract meets the following requirements:

- (1) The contract must be entered into before the performance of the qualified research activity;
- (2) The contract requires the company to bear the expense of the research even if the project is unsuccessful; and
- (3) The contract provides that the research is to be performed on behalf of the company and the company will have the exclusive rights to the research results.<sup>4</sup>

**A. The Company’s presence in Hawaii**

The Company, [a limited liability company, partnership, corporation, sole proprietorship, etc.], maintains its office in [city or county and other facts such as employing or owning capital or property in Hawaii].

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<sup>3</sup> This definition of a QHTB differs from the definition of a QHTB in §235-7.3, HRS, which is discussed in Part II of this letter.

<sup>4</sup> If the Company receives a license (v. exclusive), the term of the license must be for the useful life of product(s) or research.

**B. The Company's qualified research activities**

The term "qualified research" means:<sup>5</sup>

- (1) The same as in §41(d), Internal Revenue Code (IRC);
- (2) The development and design of certain computer software;
- (3) Biotechnology;
- (4) Performing arts products;
- (5) Sensor and optic technologies;
- (6) Ocean sciences;
- (7) Astronomy; or
- (8) Nonfossil fuel energy-related technology.

**(1) The same as in §41(d), IRC**

Item (1) of the definition of qualified research above is drawn from IRC §41(d), where it is defined as research undertaken to discover information technological in nature, which constitutes a process of experimentation relating to a new or improved function, performance, reliability, or quality.

"Qualified research" activities must satisfy the following tests under Treasury Regulation §1.41-4:

- (a) The expenditures must qualify as research and experimental expenditures under IRC §174;
- (b) The expenditures must relate to research undertaken to discover information that is both technological in nature and the application of which is intended to be useful in developing a new or improved business component of the taxpayer;<sup>6</sup> and
- (c) Substantially all of the activities of the research must constitute elements of a process of experimentation that relates to a new or

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<sup>5</sup> §235-110.9, HRS, incorporates the definition of "qualified research" in §235-7.3, HRS.

<sup>6</sup> Proposed Treasury Regulation §1.41-4(a), defines the term discovering information to mean research "undertaken for the purpose of discovering information which is technological in nature" For purposes of section 41(d) information is technological in nature "if the process of experimentation used to discover such information fundamentally relies on principles of the physical or biological sciences, engineering, or computer science." The issuance of a patent by the Patent and Trademark Office under the provisions of section 151 of title 35, United States Code (other than a patent issued under §171 of Title 35, United States Code) constitutes conclusive evidence that the "discovering information" test has been met. The regulations also define the term *technological in nature* to mean that "information is technological in nature if the process of experimentation used to discover such information fundamentally relies on principles of physical or biological sciences, engineering, or computer science."

improved function, performance, reliability or quality.<sup>7</sup>

§41(d), IRC, further clarifies that qualified research does not include any research:

- (1) After commercial production;
- (2) Related to the adaptation of existing business components;
- (3) Related to the reproduction of existing business components;
- (4) Surveys, studies, market research, etc.;
- (5) Conducted outside of the United States;
- (6) In the social sciences, arts, or humanities; or
- (7) To the extent funded by any grant, contract, or otherwise by another person (or governmental entity).

Hawaii's law conforms to the federal definition of "qualified research" as set forth in §41(d), IRC, and the accompanying Treasury Regulations. Thus, the Company's activities must meet the federal standards of "qualified research" to be classified as such under Hawaii law (i.e., the expenses of the research would qualify for the federal research credit under §41, IRC, or the Company must actually claim the federal credit).

If some of the work is funded by grant, contract, or otherwise by another person or governmental entity, to the extent the work is funded, the requirements of item (1) of qualified research are not met unless the Company retains

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<sup>7</sup> Treasury Regulations further define a *process of experimentation* as "a process to evaluate more than one alternative designed to achieve a result where the means of achieving that result are uncertain at the outset. A process of experimentation in the physical or biological sciences, engineering, or computer science requires that the taxpayer".

- (1) Develop one or more hypotheses designed to achieve the intended result;
- (2) Design a scientific experiment (that, where appropriate to the particular field of research, is intended to be replicable with an established experimental control) to test and analyze those hypotheses (through, for example, modeling, simulation, or a systematic trial and error methodology);
- (3) Conduct the experiment and record the results; and
- (4) Refine or discard the hypotheses as part of a sequential design process to develop or improve the business component.

The *substantially all* requirement is satisfied only if 80% or more of the research activities measured in cost or other consistently applied reasonable basis constitutes elements in a process of experimentation.

substantial rights to their research, as defined in §1.41-4A(d)(2), Treasury Regs., and the funding is contingent upon the success of the research. §1.41-4A(d)(1), Treasury Regs.

*In Part I of the Questionnaire, the Company checked the box indicating that it performs research as defined in §41(d), IRC. By checking this box, the Company represents the following:*

- *The Company performs research as defined in §41(d), IRC;*
- *The Company is not in commercial production; is not adapting or reproducing existing business components; and is not performing surveys or market research; and*
- *The Company's work is not in the social sciences, arts, or humanities and is not funded by any grant, contract, or otherwise by another person or governmental entity.*

*Based solely on the Company's representations, the Company performs research as defined in §41(d), IRC.*

*OR*

*The Company does not perform research as defined in §41, IRC.*

**(2) The development and design of certain computer software**

To meet this requirement, the Company must develop and design computer software using fourth generation or higher software development tools or native programming languages to design and construct unique and specific code to create applications and design databases for sale or license.

*In Part I of the Questionnaire, the Company checked the box indicating that it develops and designs computer software. By checking this box, the Company represents that it meets the requirements of item (2) of qualified research. [Fill in relevant facts].*

*OR*

*The Company does not develop and design computer software.*

**(3) Biotechnology**

Item (3) of the definition of "qualified research" includes biotechnology. Biotechnology is defined in §235-1, HRS, as the "fundamental knowledge

regarding the function of biological systems from the macro level to the molecular and subatomic levels that has application to development including the development of novel products, services, technologies, and subtechnologies from insights gained from research advances that add to that body of fundamental knowledge."

*In Part I of the Questionnaire, the Company checked the box indicating that it is involved in biotechnology. By checking this box, the Company represents that it meets the requirements of item (3) of qualified research. [Fill in relevant facts].*

OR

*The Company is not involved in biotechnology.*

**(4) Performing arts products**

Item (4) of the definition of "qualified research" includes performing arts products. Performing arts products is defined as:

- (1) Audiofiles, video files, audiovideo files, computer animation, and other entertainment products perceived by or through the operation of a computer; and
- (2) Commercial television and film products for sale or license, and reuse or residual fee payments from these products.

*In Part I of the Questionnaire, the Company checked the box indicating that it is involved in performing arts products. By checking this box, the Company represents that it meets the requirements of item (4) of qualified research. [Fill in relevant facts].*

OR

*The Company is not involved in performing arts products.*

**(5) Sensor and optic technologies<sup>8</sup>**

*In Part I of the Questionnaire, the Company checked the box indicating that it is involved in sensor and optic technologies. By checking this box, the*

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<sup>8</sup> Item 5 of the definition of "qualified research" was added by Act 221, SLH 2001.

*Company represents that it meets the requirements of item (5) of qualified research. [Fill in relevant facts].*

*OR*

*The Company is not involved in sensor and optic technologies.*

**(6) Ocean sciences<sup>9</sup>**

*In Part I of the Questionnaire, the Company checked the box indicating that it is involved in ocean sciences. By checking this box, the Company represents that it meets the requirements of item (6) of qualified research. [Fill in relevant facts].*

*OR*

*The Company is not involved in ocean sciences.*

**(7) Astronomy<sup>10</sup>**

*In Part I of the Questionnaire, the Company checked the box indicating that it is involved in astronomy. By checking this box, the Company represents that it meets the requirements of item (7) of qualified research. [Fill in relevant facts].*

*OR*

*The Company is not involved in astronomy.*

**(8) Nonfossil fuel energy-related technology<sup>11</sup>**

*In Part I of the Questionnaire, the Company checked the box indicating that it is involved in nonfossil fuel energy-related technology. By checking this box, the Company represents that it meets the requirements of item (8) of qualified research. [Fill in relevant facts].*

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<sup>9</sup> Item 6 of the definition of “qualified research” was added by Act 221, SLH 2001.

<sup>10</sup> Item 7 of the definition of “qualified research” was added by Act 221, SLH 2001.

<sup>11</sup> Item 8 of the definition of “qualified research” was added by Act 221, SLH 2001.



OR

*The Company is not involved in nonfossil fuel energy-related technology.*

**C. Activity Test and Gross Income Test**

Under §235-110.9, HRS, a company is a QHTB if it meets one of two tests. Under the Activity Test, a company is a QHTB if it is a business, employing or owning capital or property, or maintaining an office, in Hawaii and more than 50% of its total business activities are qualified research and more than 75% of such qualified research is conducted in Hawaii. Under the Income Test, a company is a QHTB if more than 75% of its gross income is derived from qualified research and from either (i) products sold from, manufactured in, or produced in Hawaii, or (ii) services performed in Hawaii.

The Company has represented that it will meet the Activity Test because it will maintain a Hawaii office, more than 50% of its activities will be in qualified research and more than 75% of those qualified research activities will be conducted in Hawaii. Specifically, the Company has represented *[The taxpayer must supply the relevant facts and analysis to satisfy the Activity Test and Gross Income Test.]*. In making this determination, the Company used a numerator that contained the costs of activities in direct support of qualified research and a denominator that included all costs for all activities.<sup>12</sup>

The Company has also represented that it will meet the Income Test because more than 75% of the Company's gross income will be derived from qualified research, and the income from such qualified research will be received either from products sold from, manufactured, or produced in Hawaii, or services performed in Hawaii.

*Based on the Company's representations, the Company is a QHTB for purposes of the high technology business investment tax credit because it meets the requirements of item(s) [(1), (2), (3), (4), (5), (6), or (7)] of the definition of qualified research.*

*OR, if the Company is a subsidiary of another company:*

*Based on the Company's representations, the Company's research qualifies for purposes of the high technology business investment tax credit because it meets the requirements of item(s) [(1), (2), (3), (4), (5), (6), or (7)] of the definition of qualified research. The Company has represented that new capital will be raised from third-parties; spending will be increased to accelerate research projects; new jobs will be created in Hawaii and the research will be for sale or license to unrelated third*

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<sup>12</sup> "Business activities" are measured by the cost of these activities, the time spent on these activities, or other consistently applied reasonable basis. This is based upon general principles in the income tax and general excise tax law.

*parties. The Company has represented that the transaction has economic substance and a business purpose. Based on these representations, the Company will be a QHTB.*

Investments in the Company will qualify for the high technology business investment tax credit if the activities of the Company are substantially as represented.

#### **D. Credit Recapture**

Section 235-110.9(d), HRS, provides for recapture of credits that have been claimed by a taxpayer where one of the following three events occurs (recapture event):

- (1) The business no longer qualifies as a QHTB;
- (2) The business or an interest in the business has been sold by the taxpayer investing in the QHTB;
- (3) The taxpayer has withdrawn the taxpayer's investment wholly or partially from the QHTB.

Where recapture is triggered, 10% of the amount of the total tax credit claimed by the selling or withdrawing investor in each of the two taxable years prior to the year in which recapture occurs must be added to such investors' tax liability for the taxable year in which the recapture occurs.

The credit cannot be claimed in the year of a recapture event because investors do not have an investment in a QHTB. If a recapture event occurs, the Company should notify the investors that they are not eligible to claim the credit and that some of the credit claimed in prior years shall be recaptured.

## **II. Income tax exclusion for royalties and other income from QHTB**

Pursuant to §235-7.3, HRS, an income tax exclusion is available for income received by an individual or a QHTB as royalties and other income derived from any patents, copyrights, and trade secrets developed and arising out of a QHTB.<sup>13</sup> The exclusion may be claimed by the individual or QHTB that owns the patents, copyrights, or trade secrets.

For purposes of the royalty income exclusion, a QHTB is defined as "a business conducting more than 50% of its activities in qualified research."<sup>14</sup>

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<sup>13</sup> Expenses for royalties and other income derived from any patents, copyrights, and trade secrets by an individual or a QHTB as defined in §235-7.3, HRS, are deductible. See §235-2.4(g), HRS.

<sup>14</sup> This definition differs from the definition of a QHTB in §235-110.9, HRS, which is discussed in Part I of this letter.

The term “qualified research” means:

- (1) The same as in §41(d), IRC;
- (2) The development and design of computer software using fourth generation or higher software development tools or native programming languages to design and construct unique and specific code to create applications and design databases for sale or license;
- (3) Biotechnology;
- (4) Performing arts products;
- (5) Sensor and optic technologies;
- (6) Ocean sciences;
- (7) Astronomy; or
- (8) Nonfossil fuel energy-related technology.

The Company meets the requirements of item (s) [(1), (2), (3), (4), (5), (6), (7) and/or (8)] in the definition of “qualified research” based upon the discussion in Part I, relating to the high technology business investment tax credit.

Based on the Company’s representations, *[more / less]* than 50% of the Company’s activities are in qualified research.

Based on these facts, royalties and other income derived from any patents, copyrights, and trade secrets developed and arising out of the Company received by an individual<sup>15</sup> or a QHTB are *[not]* excluded from income tax.

### **III. Income tax exclusion for stock options from qualified high technology business**

Section 235-9.5, HRS, provides an exclusion for “all income earned and proceeds derived from stock options or stock,” including stock issued through the exercise of stock options or warrants, from a QHTB or from a holding company of a QHTB<sup>16</sup> by an employee, officer, or director of the QHTB, or investor who qualifies for the high technology business investment tax credit in §235-110.9, HRS, effective for taxable years beginning after December 31, 2000. This exclusion is applicable to dividends from stock

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<sup>15</sup> The performing arts product exclusion in §235-7.3, HRS, is applicable to the author and assignors, licensors, and licensees.

<sup>16</sup> A holding company of a QHTB means any business entity that possesses:

- (1) At least eighty per cent of the total voting power of the stock or other interest; and
- (2) At least eighty per cent of the total value of the stock or other interest in the qualified high technology business.

or stock received through the exercise of stock options or warrants, the receipt or the exercise of stock options or warrants, and income from the sale of stock, including stock issued through the exercise of stock options or warrants.<sup>17</sup>

[For entities other than corporations: Act 221, Session Laws of Hawaii 2001, added the following language to §235-9.5, HRS: “ similar provisions shall apply to options to acquire entity interests and to equity interests themselves with regard to entities other than corporations.” With respect to a sole proprietorship or a limited liability company treated as a sole proprietorship for income tax purposes, the exclusion provided by §235-9.5, HRS, does not apply. With respect to a partnership or a limited liability company treated as a partnership for income tax purposes, the exclusion is applicable only to the gain from the sale of membership interest units effective for taxable years beginning after December 31, 2000.]

For purposes of this income tax exclusion, a QHTB means the same as defined in §235-7.3, HRS, relating to the income tax exclusion for royalties.

The Company meets the requirements of item(s) [(1), (2), (3), (4), (5), (6), (7) and/or (8)] in the definition of “qualified research” based upon the discussion in Part I, relating to the high technology business investment tax credit.

Based on the Company’s representations, [more/less] than 50% of the Company’s activities are in qualified research.

*Based on these facts, dividends from stock or stock received through the exercise of stock options or warrants, the receipt or the exercise of stock options or warrants, and income from the sale of stock, including stock issued through the exercise of stock options or warrants, issued by the Company or a holding company of the Company received by an employee, officer, director, or investor (who qualifies for the high technology business investment tax credit) are [not] excluded from income tax.*

OR

*For partnerships or limited liability companies treated as partnerships for income tax purposes:*

*Based on these facts, the gain from the sale of membership interest units is [not] excluded from income tax effective for taxable years beginning after December 31, 2000.*

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<sup>17</sup> §165, IRC, is operative for Hawaii income tax purposes and applies to losses sustained from the sale of stock issued through stock options or warrants granted by a QHTB. See §235-2.4(d), HRS.

#### **IV. Tax credit for research activities**

The tax credit for research activities in Hawaii provided under §235-110.91, HRS, is similar to the federal credit for increasing research activities under §41, IRC. The Hawaii credit is available for tax years 2000-2005 for research done in the State. Unlike the federal credit, the Hawaii credit may be claimed without increasing research expenses for tax years 2001 to 2005 and the 20% Hawaii credit is refundable (the federal credit is nonrefundable).

As discussed in Part I of this letter, Hawaii tax law conforms to the federal definition of “qualified research” as set forth in §41(d), IRC, and accompanying Treasury Regulations. For the same reasons discussed in Part I of this letter the Company is *[not]* eligible for the Hawaii tax credit for its research activities conducted in Hawaii.

#### **V. Sale of net operating loss**

Section 235-111.5, HRS, allows a QHTB<sup>18</sup> to sell its unused net operating loss carryovers (NOLs) provided that the sale is for an amount equal to at least 75% of the amount of the surrendered tax benefit computed at the corporate rate under §235-71, HRS and the sale does not exceed \$500,000 per year.<sup>19</sup> This applies to NOLs occurring in the two taxable years preceding the year in which the sale of NOLs occurs and applies to sales of NOLs after December 31, 2000, and before January 1, 2004.

The Department will not approve the sale of NOLs if the Company in either of the two previous full years of ongoing operations:

- (1) Had positive net income as determined on its financial statements;
- (2) Had a ratio of 110% or greater operating revenues divided by operating expenses on its financial statements;
- (3) Is 50% or more owned or controlled by another corporation that has positive income on its financial statements; and
- (4) Is part of a consolidated group of affiliate corporations that in the aggregate has demonstrated positive net income on its financial statements.

Partnership investors may allocate the NOLs among the partners without regard to their proportionate interests in a QHTB partnership. See, §235-2.45(e), HRS.

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<sup>18</sup> A QHTB is defined in §235-7.3, HRS.

<sup>19</sup> The general excise tax is not applicable to the sale of NOLs by a QHTB from January 1, 2001 through December 31, 2005. See, section 3 of Act 221, SLH 2001.

While the Company is a QHTB pursuant to the discussion in Part II of this letter, the Company must meet the positive net income requirements in Part V of this letter before the Department will approve the sale of NOLs.

## VI. Miscellaneous Provisions

Section 235-2.45 (f), HRS, allows a corporate QHTB, as defined in §235-7.3, HRS, to carry forward capital losses for 15 years. Based upon the foregoing discussion, the Company *qualifies/does not qualify* for this provision.

Act 221, SLH 2001, provides additional tax incentives, which are not dependent on the Company qualifying as a QHTB.

- **Technology infrastructure renovation tax credit.** A nonrefundable income tax credit of 4% of the "renovation costs" for each commercial building located in Hawaii is available for tax years 2001 through 2005. "Renovation costs" means costs incurred after December 31, 2000, to plan, design, install, construct, and purchase technology-enabled infrastructure equipment to provide a commercial building with technology-enabled infrastructure.
- **Expanded related entities exemption.** The related entities exemption which exempts from the general excise tax (GET) amounts received, charged, or attributable for "services" or interest between one "related entity" and another "related entity" is expanded. The use of computer software and hardware, information technology services, and database management between related entities is exempt from the GET. These changes are applicable to gross income or gross proceeds received beginning July 1, 2001.

## VII. Conclusion

Based solely on the information and representations submitted, the Company qualifies for [fill in the benefits that the Company qualifies for].

This ruling is applicable only to the Company and shall not be applied retroactively. It may not be used or cited as precedent by any other taxpayer.

The conclusions reached in this letter are based on our understanding of the facts that you have represented. If it is later determined that our understanding of these facts is not correct, the facts are incomplete, or the facts later change in any material respect, the conclusion in this letter will be modified accordingly. This ruling also may be subject to change due to future

Name  
Date  
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amendments to laws, rules, or official Department positions.

If you have any further questions regarding this matter, please call me at 808-587-\_\_\_\_ or \_\_\_\_\_ at 808-587-\_\_\_\_\_. Additional information on Hawaii's taxes is available at the Department's website at **[www.state.hi.us/tax](http://www.state.hi.us/tax)**.

Very truly yours,

OFFICIAL'S NAME  
Official's Title

**Exhibit A To Ruling Request By [Name of Company]**



/

Jobs to be created by the Company. ***(Please provide the following information)***

- a. The number and type of the jobs created by the Company;
- b. Indicate whether such jobs are permanent or temporary (temporary meaning a job in which a new employee is hired for a specific duration of time or season);
- c. Provide the total salaries and wages (by job classification) that the Company expects to pay to these employees; and
- d. If stock options or other non-cash compensation will be provided to an employee, please provide a description of such compensation.

Cost and Expenditures in Hawaii. Please provide a list of: ***(Please provide the following information)***

- a. The costs expected to be incurred in Hawaii, including employee costs (e.g., rental or purchase of property from Hawaii sources, payments to Hawaii independent contractors for services);
- b. Briefly describe the Company's long-term business plans in Hawaii and elsewhere and the benefits provided to Hawaii; and
- c. Describe any tax incentives, including the tax credit for research activities as provided in section 235-110.91, HRS, that the Company expects to claim.

Investments in the Company ***(Please provide the following information)***

- a. Enter the total amount of investments that the Company expects to receive from investors in first 12 months.
- b. Attach a list containing the following information about each investor (if known):
  - a. Name, address, and SSN/FEIN of each investor of the Company;
  - b. The amount of the investment and the date the investment will be or was received;
  - c. A description of the investment (e.g., cash, intangible personal property, tangible personal property, real property);
  - d. If the investment is property, briefly explain and attach documentation supporting the valuation of the property; and
  - e. What the investor received in return for this investment (e.g., the number of shares of stock in the Company, the number of units in the Company, promissory note, license, etc.)